

Holland Knight

Tel 212 513 3200

Fax 212 385 9010

Holland & Knight LLP

195 Broadway, 24th Floor

New York, NY 10007-3189

www.hklaw.com

USDS SDNY
DOCUMENT

ELECTRONICALLY FILED

DOC #:

DATE FILED: 1/24/08

JOHN J. REILLY

(212) 513-3488

john.reilly@hklaw.com

January 23, 2008

BY HAND DELIVERY

Hon. Victor Marrero
United States District Judge
Southern District of New York
500 Pearl Street, Room 660
New York, New York 10007

Re: Musket Corp. v. PDVSA Petroleo, S.A., et ano.
06 CV 15522 (VM)

Dear Judge Marrero:

We represent plaintiff Musket Corporation ("Musket") in the above-referenced matter. We submit this status report pursuant to this Court's Order dated January 17, 2008.

(1) Musket and defendant PDVSA Petroleo, S.A. ("PDVSA") have reached a settlement in principle which will include a dismissal of Musket's claims against PDVSA with prejudice. Counsel have exchanged draft settlement documents. The text of the releases have been agreed, and we hope to finalize the execution within two weeks. Please note, moreover, that we have provided a copy of this letter to PDVSA's counsel, Lizabeth L. Burrell, and she concurs with respect to that portion of this report which regards her client.

(2) Once PDVSA is dismissed, Musket intends promptly to file an Amended Complaint, amending its claims against defendant Advanced Engineering Development Ltd (which is in default in answering) and adding an additional defendant.

We reserve our rights, pursuant to Federal Rule of Evidence 408, with respect to the foregoing.

Thank you for your consideration with respect to this matter.

Respectfully submitted,

John J. Reilly

cc: Bernard V. Preziosi Jr., Esq.
Lizabeth L. Burrell, Esq.
Advanced Engineering Development Ltd. (via e-mail)

5073731_v2

SO ORDERED: The Court acknowledges receipt of plaintiff's response to the Court's Order dated 1-17-08 and directs plaintiff to submit an update in the event of any material change in circumstances from those previously reported.

DATE 1/24/08 VICTOR MARRERO, U.S.D.J.